PolicyLink
and
PolicyLink Equity Action Network

Consolidated Financial Statements

December 31, 2023
(With Comparative Totals for 2022)

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
PolicyLink and PolicyLink Equity Action Network
Oakland, California

Opinion

We have audited the accompanying consolidated financial statements of PolicyLink and PolicyLink Equity Action Network (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PolicyLink and PolicyLink Equity Action Network as of December 31, 2023, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PolicyLink and PolicyLink Equity Action Network and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 2 to the consolidated financial statements, the Organization adopted FASB Topic 326, *Financial Instruments - Credit Losses*. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PolicyLink and PolicyLink Equity Action Network's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PolicyLink and PolicyLink Equity Action Network's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PolicyLink and PolicyLink Equity Action Network's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited PolicyLink and PolicyLink Equity Action Network's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 24, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Armanino LLP

Armanino LLP
San Francisco, California

June 25, 2024

PolicyLink and PolicyLink Equity Action Network
Consolidated Statement of Financial Position
December 31, 2023
(With Comparative Totals for 2022)

	2023	2022
ASSETS		
Cash and cash equivalents	$ 18,631,403	$ 16,157,633
Investments	79,723,444	71,560,296
Contributions and grants receivable, net	22,699,447	16,261,436
Accounts receivable	165,594	325,328
Prepaid expenses	594,715	830,094
Other assets	7,182	100,835
Operating lease right-of-use assets	2,779,142	3,662,203
Property and equipment, net	3,204,240	2,142,506
Intangible assets, net	21,589	-
Total assets	$ 127,826,756	$ 111,040,331
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 2,191,031	$ 3,440,975
Deferred revenue	7,143	75,000
Other accrued expenses	2,668,232	7,541,310
Operating lease liability	3,028,380	3,945,106
Total liabilities	7,894,786	15,002,391
Net assets		
Without donor restrictions		
Undesignated	44,291,204	27,331,919
Board-designated - CEO Fund	19,041,685	19,396,000
Board-designated - other funds	10,741,887	10,309,819
Total without donor restrictions	74,074,776	57,037,738
With donor restrictions	45,857,194	39,000,202
Total net assets	119,931,970	96,037,940
Total liabilities and net assets	$ 127,826,756	$ 111,040,331

The accompanying notes are an integral part of these consolidated financial statements.

PolicyLink and PolicyLink Equity Action Network
Consolidated Statement of Activities
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Support, revenues, and gains (losses)				
Grants and contributions	$ 23,706,348	$ 38,215,704	$ 61,922,052	$ 42,776,299
Program service fees	1,230,810	-	1,230,810	2,957,689
In-kind contributions	268,002	-	268,002	-
Investment income (loss), net	4,796,284	-	4,796,284	(237,566)
Other revenue	7,484	-	7,484	-
Losses on disposal of assets	-	-	-	(2,252)
Net assets released from restrictions	31,358,712	(31,358,712)	-	-
Total support, revenues, and gains (losses), net	61,367,640	6,856,992	68,224,632	45,494,170
Functional expenses				
Program services				
Thriving Communities	5,892,522	-	5,892,522	3,671,297
Flourishing Democracy	3,567,617	-	3,567,617	3,231,210
Equitable Economy	2,270,949	-	2,270,949	3,500,871
Crosscutting Strategies	25,029,457	-	25,029,457	32,270,992
Total program services	36,760,545	-	36,760,545	42,674,370
Support services				
Management and general	6,063,060	-	6,063,060	9,395,396
Fundraising	1,506,997	-	1,506,997	1,340,475
Total support services	7,570,057	-	7,570,057	10,735,871
Total functional expenses	44,330,602	-	44,330,602	53,410,241
Change in net assets	17,037,038	6,856,992	23,894,030	(7,916,071)
Net assets, beginning of year	57,037,738	39,000,202	96,037,940	103,954,011
Net assets, end of year	$ 74,074,776	$ 45,857,194	$119,931,970	$ 96,037,940

PolicyLink and PolicyLink Equity Action Network
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

	Thriving Communities	Flourishing Democracy	Equitable Economy	Crosscutting Strategies	Total Program Services	Management and General	Fundraising	2023 Total	2022 Total
Salaries and wages	$ 1,528,484	$ 703,040	$ 559,027	$ 7,205,391	$ 9,995,942	$ 2,085,319	$ 944,191	$ 13,025,452	$ 11,391,357
Other employee benefits	179,424	70,128	34,773	1,092,884	1,377,209	301,762	116,342	1,795,313	1,412,792
Payroll taxes	115,547	47,004	40,743	524,101	727,395	134,369	46,908	908,672	770,852
Retirement contributions	87,405	40,003	30,297	401,733	559,438	119,600	51,914	730,952	731,885
Professional services	1,724,312	2,101,894	1,211,091	5,387,498	10,424,795	2,368,256	58,948	12,851,999	13,207,028
Grants and assistance to others	1,591,800	251,150	254,810	7,228,264	9,326,024	-	-	9,326,024	17,208,269
Travel, meals, conferences, and meetings	335,994	238,482	42,948	1,061,244	1,678,668	94,547	138,111	1,911,326	1,413,310
Information technology	42,734	14,223	12,721	794,116	863,794	137,530	25,232	1,026,556	536,221
Occupancy	136,178	45,369	40,365	600,402	822,314	138,084	55,170	1,015,568	1,017,208
Office expenses	84,357	33,207	23,689	421,086	562,339	134,459	43,732	740,530	292,419
Depreciation and amortization	52,549	17,489	15,642	233,590	319,270	53,456	21,313	394,039	14,572
Uncollectible receivables	-	-	-	-	-	327,413	-	327,413	5,079,320
Insurance	-	-	-	-	-	142,808	-	142,808	110,254
Telecommunications	12,648	5,266	4,519	55,456	77,889	16,236	4,694	98,819	91,543
Equipment rental and maintenance	1,090	362	324	23,679	25,455	1,528	442	27,425	15,787
Bank fees	-	-	-	-	-	5,373	-	5,373	14,034
Advertising and promotion	-	-	-	13	13	2,320	-	2,333	103,390
	$ 5,892,522	$ 3,567,617	$ 2,270,949	$ 25,029,457	$ 36,760,545	$ 6,063,060	$ 1,506,997	$ 44,330,602	$ 53,410,241

The accompanying notes are an integral part of these consolidated financial statements.

PolicyLink and PolicyLink Equity Action Network
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

	2023	2022
Cash flows from operating activities		
Change in net assets	$ 23,894,030	$ (7,916,071)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	394,039	14,572
Losses on disposal of assets	-	2,252
Net realized and unrealized losses (gains) on investments	(1,767,461)	699,797
Transfer of SAFE agreements	1,335,000	-
Amortization of operating lease right-of-use assets	883,061	831,577
In-kind donations of property and equipment	(61,863)	-
Changes in operating assets and liabilities		
Contributions and grants receivable, net	(6,438,011)	10,877,008
Accounts receivable	159,734	(191,571)
Prepaid expenses	235,379	(640,735)
Other assets	93,653	(93,443)
Accounts payable	(1,249,944)	1,755,523
Deferred rent	-	(379,694)
Deferred revenue	(67,857)	75,000
Other liabilities	-	(150,000)
Other accrued expenses	(4,873,078)	81,270
Operating lease liability	(916,726)	(548,674)
Net cash provided by operating activities	11,619,956	4,416,811
Cash flows from investing activities		
Purchases of property and equipment	(1,392,299)	(1,041,933)
Purchases of investments	(152,084,850)	(112,533,981)
Proceeds from sale of investments	144,354,163	105,408,375
Purchases of intangible assets	(23,200)	-
Net cash used in investing activities	(9,146,186)	(8,167,539)
Net increase (decrease) in cash and cash equivalents	2,473,770	(3,750,728)
Cash and cash equivalents, beginning of year	16,157,633	19,908,361
Cash and cash equivalents, end of year	$ 18,631,403	$ 16,157,633

Supplemental schedule of noncash investing and financing activities

	2023	2022
Operating lease right-of-use assets obtained in exchange for lease liability	$ -	$ 4,493,780

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

Organization

PolicyLink, founded in 1998, is a California nonprofit public benefit corporation organized under Section 501(c)(3) of the Internal Revenue Code. PolicyLink is a national research and action institute working to build a future where all people in the United States of America can participate in a flourishing multiracial democracy, prosper in an equitable economy, and live in thriving communities of opportunity. PolicyLink advocates for groundbreaking policy and practice changes using a results framework focused on creating a nation that works for all.

PolicyLink Equity Action Network (the "Network"), founded in 2015, is a California nonprofit public benefit corporation organized under section 501(c)(4) of the Internal Revenue Code. The Network was formed to advance equity initiatives at local, state, and federal levels of government.

Nature of activities

Program activities in the accompanying consolidated financial statements are grouped into four portfolios of work:

Thriving Communities - The Thriving Communities portfolio aims to create communities where all children and families prosper through equitable infrastructure, affordable housing, quality education, human services delivery, and clean water. Thriving Communities honor the dignity of every person, promote physical and economic mobility, and protect residents from legal and environmental harm.

Flourishing Democracy - The Flourishing Democracy portfolio aims to build towards a flourishing democracy fueled by governing standards that advance the power and well-being of all people in all places—governing for all. This includes establishing government bodies and governing structures that can advance and protect human, social, environmental, spatial, and political rights.

Equitable Economy - The Equitable Economy portfolio aims to create an economy in which all people have good jobs, dignified and rising standards of living, and increased voice, power, and ownership. This work focuses on establishing standards—particularly corporate and industrial policy standards—designed to ensure the market serves all people, where the government produces and regulates the flow of money as commodity that is available to all, where work is honored with compensation that affords self-determination and mobility, and where wealth produced by the many is enjoyed by the many.

Crosscutting Strategies - The Crosscutting Strategies portfolio includes initiatives that provide an underlying service to all areas of PolicyLink's work, creating an enabling environment for policy change, supporting and growing the equity movement, and building new alliances and partnerships. These include:

1. NATURE OF OPERATIONS (continued)

Nature of activities (continued)

a. *Data + Research* - Developing data and research to equip community leaders and policymakers with the tools necessary to advance equitable growth and to inform community action.

b. *Communications* - Establishing a national voice—through narrative, arts, and culture—to advance policy and catalyze the imagination necessary to envision alternative futures and build the will to make them real.

c. *Impact* - Leveraging results-based accountability to measure the effectiveness of our work and drive continuous improvement of our programs and internal operations.

d. *Other Programs* - Included here are: the Equity Summit—held every few years—which assembles thousands of leaders to co-design and chart the course of the equity movement; fiscal sponsorship of projects aligned with PolicyLink's mission; our podcasts; and consulting engagements.

Supporting activities in the accompanying consolidated financial statements include the following:

Management and General - Centering operational excellence, this includes the functions critical to: ensure a supportive working environment that centers love and accountability; provide the coordination of organizational strategy; properly implement the directives of the Board of Directors (the "Board"); manage the financial and budgetary responsibilities of the organization; and build and protect an enduring institution in a manner consistent with the rules and regulations that govern nonprofit organizations.

Fundraising - Securing the financial resources necessary for PolicyLink to achieve its mission. Funding comes from three primary sources: not-for-profit organizations, for-profit organizations, and individuals, via contributions and program service revenue. That funding provides capital for current activities in addition to reserve and growth funds to ensure the long-term sustainability critical to delivering on PolicyLink's mission.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The accompanying consolidated financial statements include the accounts of PolicyLink and PolicyLink Equity Action Network (collectively, the "Organization"). All intercompany balances and transactions have been eliminated in consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation

The accompanying consolidated financial statement have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The Organization reports information regarding its financial position and activities in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- *Net assets without donor restrictions* - represent resources which have not been specifically restricted by a donor. Net assets without donor restrictions may be designated for specific purposes by the Organization, such as board-designated net assets, or may be limited by contractual agreements with outside parties.
- *Net assets with donor restrictions* - represent contributions and grants whose use is limited by donor- imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations and those net assets to be held in perpetuity. When a donor restriction expires, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restriction.

Change in accounting principle

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") Topic 326, *Financial Instruments - Credit Losses* ("ASC 326"), which significantly changed how entities measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from an "incurred loss" model to an "expected credit loss" model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in ASC 326 are certain grants receivables earned through exchange transactions. The Organization adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the consolidated financial statements, and primarily resulted in new disclosures only.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments and investments with original maturities of three months or less, donor restricted receipts and amounts designated for long-term purposes. The Organization maintains its cash in bank deposit accounts which, at time, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Short-term investments and marketable securities include mutual funds, exchange-traded funds and investment grade government bonds.

Investment securities are exposed to various risks such as changes in interest rates or credit and market fluctuations. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

SAFE Agreements

The Organization, as fiscal sponsor for Black Ambition, invested in Simple Agreements for Future Equity ("SAFE") with person-of-color led start-up organizations. The SAFEs provide the Organization with the right to receive equity in the investee entities upon certain triggering events. During 2023, the Organization transferred $1,335,000 of SAFE notes related to the Black Ambition project (see Note 7). There were no SAFE investments as of December 31, 2023.

Fair value measurements

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants at the measurement date. The Organization has characterized the fair value of its assets, based on the priority of the inputs used to value the assets, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the asset.

Assets recorded in the consolidated statement of financial position are categorized based on the inputs to valuation techniques as follows:

- *Level 1* - Values are based on unadjusted quoted prices for identical assets in an active market that the Organization has the ability to assess.
- *Level 2* - Values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investment.
- *Level 3* - Values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect the assumptions of management about assumptions market participants would use in pricing the investments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable

Contracts receivable consists of amounts due from entities under fee-for-service agreements. Management believes these amounts to be fully collectible as of December 31, 2023 and, therefore, has provided no allowance for credit losses. In determining the adequacy of the allowance, management identifies specific receivables for which collection is not certain and estimates the potentially uncollectible amount based on the most recently available information. Management writes off receivables when it deems them to be uncollectible.

Property and equipment

Property and equipment are recorded at cost if purchased, or if donated, at the estimated fair value on the date of the donation. The Organization generally capitalizes property and equipment with a cost greater than $5,000 and an estimated useful life in excess of one year. Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered, the Organization, using its best estimates and projections, reviews the carrying value of long-lived identifiable assets to be held and used in the future for impairment. The Organization records impairment losses when determined.

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Leasehold improvements	3 - 8 years
Office equipment	3 - 7 years

Intangible assets

Intangible assets represent websites that the Organization has purchased that have an estimated economic life of three years. Amortization is calculated using the straight-line method over the estimated economic life of the intangible assets.

Leases

The Organization leases office space and equipment under operating leases. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities on the consolidated statement of financial position. The Organization does not have any finance leases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Organization's lease does not provide an implicit rate, the Organization uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Organization has elected not to recognize right-of-use assets and lease liabilities for short-term leases and instead records them in a manner similar to operating leases under legacy leasing guidelines. A short-term lease is one with a maximum lease term of 12 months or fewer and does not include a purchase option that the lessee is reasonably certain to exercise. The Organization does not have any short-term leases.

Program service fees revenue

The Organization recognizes program service fees revenue as earned when it renders specific services and completes certain deliverables in accordance with an agreement under which it performs services for another party in return for valuable consideration. The Organization recognizes program service fee revenue as net assets without donor restrictions when it earns such revenue.

Certain agreements provide for the counterparty to make an initial payment to PolicyLink, in advance, to fund the Organization's performance of services contemplated under those agreements. PolicyLink accounts for such advances as deferred revenue until it has rendered the related services, at which point it recognizes the liability as program service fee revenue.

Grants and contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. At December 31, 2023, the Organization has approximately $30,000,000 of conditional contributions that have been committed, but not yet recognized because the conditions have not been met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and contributions (continued)

Donor restricted contributions are reported as increases in net assets without donor restrictions if the restrictions have been met in the current year. If the restriction has not been met by year end, the amount is reported as an increase in net assets with donor restrictions. When the restriction is met, the amount is shown as a reclassification from net assets with donor restrictions to net assets without donor restrictions. Contributions to be received after fiscal year-end are recorded at the present value of their estimated future cash flows. The discount on these amounts is computed using risk adjusted market interest rates applicable to the years in which the promises are expected to be received. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is established based upon management's judgment including such factors as prior collection history, aging statistics of contributions, and the nature of the receivable. At December 31, 2023, there was no allowance for uncollectible contributions as management considered all balances fully collectible.

Contributions of assets other than cash are recorded at their estimated fair value. Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenue within the net asset class without donor restrictions. Contributions of cash or other assets to be used to acquire property and equipment with donor stipulations are reported as revenue within the net asset class with donor restrictions; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

In-kind contributions

In-kind contributions consist of donated goods and services and are recorded as contributions based on the estimated fair value at the date the contribution is made. Donated services are recorded as contributions at their estimated fair value only in those instances in which they enhance non-financial assets or the Organization would have acquired such services if they had not been donated, require special skills, and are provided by individuals with those skills.

Advertising costs

The Organization expenses advertising costs as incurred. Advertising costs for the year ended December 31, 2023 totaled $2,333.

Income tax

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Sections 501(c)(3) and 501(c)(4) and the California Revenue and Taxation Code Sections 23701(d) and 23701(f). The Organization has evaluated its current tax positions as of December 31, 2023 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively after they are filed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of support, revenue (losses), and expenses during the period. Accordingly, actual results could differ from those estimates.

Functional classification of expenses

The Organization allocates all direct expense attributable to individual functions relating to program and supporting services. The Organization allocates expenses - including, but not limited to salaries and benefits, travel, fees for services, occupancy costs, and depreciation - that benefits more than one function (one or more program services, general and administrative, or fundraising) to those functions on the basis of time estimates, full-time employee equivalents, and other criteria.

Reclassifications

Certain amounts presented in the 2022 financial statement have been reclassified to conform to the current year presentation. Such reclassifications had no effect on total assets, liabilities, net assets, changes in net assets, or net cash flows from the amount previously presented.

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

Unconditional promises to give, which are not expected to be collected until after the year promised, are reflected in the accompanying consolidated financial statements as contributions and grants receivable and revenue in the appropriate net asset category.

Contributions and grants receivable, net consisted of the following:

Receivables due in less than one year	$ 18,578,881
Receivables due in two to five years	4,730,000
	23,308,881
Less discounts to present value	(609,434)
	$ 22,699,447

4. INVESTMENTS AND FAIR VALUE

Investments consisted of the following at December 31, 2023:

U.S. Treasury Bills	$ 69,329,233
Mutual Funds	7,310,851
Exchange-Traded Funds	3,083,360
	$ 79,723,444

Net investment income consisted of the following for the year ended December 31, 2023:

Interest	$ 2,630,317
Dividends and other distributions	456,106
Realized and unrealized gain	1,767,461
Investment fees	(57,600)
	$ 4,796,284

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2023:

	Level 1	Level 2	Level 3	Fair Value
U.S. Treasury Bills	$ -	$ 69,329,233	$ -	$ 69,329,233
Mutual Funds	7,310,851	-	-	7,310,851
Exchange-Traded Funds	3,083,360	-	-	3,083,360
	$ 10,394,211	$ 69,329,233	$ -	$ 79,723,444

5. PROPERTY AND EQUIPMENT

Property and equipment, net consisted of the following:

Office equipment	$ 812,504
Leasehold improvements	2,860,273
	3,672,777
Accumulated depreciation	(468,537)
	$ 3,204,240

Depreciation expense for the year ended December 31, 2023 totaled $394,039.

6. INTANGIBLE ASSETS

During the year ended December 31, 2023, the Organization purchased intangible assets, consisting of websites.

Intangible assets, net at December 31, 2023 consisted of the following:

Websites	$ 23,200
Less: Accumulated Amortization	(1,611)
	$ 21,589

Amortization expense for the year ended December 31, 2023 totaled $1,611.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Thriving Communities	$ 9,417,908
Flourishing Democracy	1,468,390
Crosscutting Strategies	6,106,363
Fiscal sponsee	4,029,169
Equitable Economy	993,880
General support - time restricted	23,841,484
	$ 45,857,194

Net assets with donor restrictions released from restriction during the year were as follows:

Thriving Communities	$ 5,889,145
Flourishing Democracy	1,407,866
Equitable Economy	1,918,985
Crosscutting Strategies	7,031,489
Fiscal sponsee	8,064,230
General support - time restricted	7,046,997
	$ 31,358,712

7. NET ASSETS WITH DONOR RESTRICTIONS (continued)

The Organization entered into fiscal sponsorship agreements to serve as the fiscal sponsor for various projects related to the Organization's mission. During 2022, the Organization entered into and completed separation agreements with two of those projects, Alliance for Boys and Men of Color ("ABMoC") and the Convergence Partnership. The Organization also entered into a separation agreement with the Black Ambition project during 2022. As part of that agreement, net assets related to the Black Ambition project were transferred to Black Ambition Opportunity, Inc. ("BAOI"), an independent corporate not-for-profit that was formed and received tax-exempt status in 2022. The Organization began transitioning net assets related to the Black Ambition project to BAOI in 2022 and completed the transition in 2023. As part of the transition of assets, the Organization transferred $1,335,000 in SAFEs to BAOI in 2023. In 2023, the Organization entered into a separation agreement with the Liberation in a Generation project anticipated to be completed in 2024.

8. BOARD-DESIGNATED FUNDS

The Board established the Reserve Fund, Growth Fund, and CEO Fund to ensure the stability of the mission, programs, personnel, and ongoing operations of the Organization and to provide sources of internal funds for capacity building.

The Reserve Fund is intended for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. Management replenishes any Reserve Fund assets it uses within a reasonably short period of time as the Board, at its sole discretion, may determine. The Reserve Fund is board-designated. The Board may, from time to time, direct management to set aside a specific source of operating revenue to augment the Reserve Fund and has authorized certain members of management to use Reserve Fund assets so long as such use is consistent with the purpose of the Reserve Fund. The Board must approve the use of Reserve Fund assets in any amount over $300,000 and requires management to report to the Board all uses of Reserve Fund assets. Management's report to the Board must include specific plans to replenish the Reserve Fund to its balance prior to all such uses. The Reserve Fund is intended to operate in perpetuity.

The Growth Fund is a board-designated fund intended for capacity building including, but not limited to, activities such as staff development, program research and development, and investment in infrastructure. The Board has determined that the Chief Executive Officer has sole discretion over the use of the Growth Fund and has, furthermore, directed the Chief Executive Officer to report to the Board the uses of the Growth Fund and any impact thereof. At present, management anticipates it will have spent down the Growth Fund in its entirety by the Organization's fiscal year ending December 31, 2025.

8. BOARD-DESIGNATED FUNDS (continued)

The CEO Fund is a board-designated fund intended for large-scale investments in the racial equity movement, both internally and in partner organizations. The Board has determined that the Chief Executive Officer, in consultation with the Chief Operating Officer and Chief Financial Officer, has discretion over the use of the CEO Fund and has, furthermore, directed the Chief Executive Officer to report to the Board the uses of the CEO Fund and any impact thereof. At present, management anticipates replenishing the CEO Fund to its current level and that the CEO Fund will operate in perpetuity.

As of December 31, 2023, the balance of the Reserve Fund was $9,000,000 and the balance of the Growth Fund was $1,741,887. The Organization has invested these funds in U.S. Treasury Bills and Bonds secured by the full faith and credit of the United States of America. The spending on these funds are included on the consolidated statement of activities as program and supporting services expense.

Activity in the Growth Fund, Reserve Fund and CEO Fund consisted of the following:

	Growth Fund	Reserve Fund	CEO Fund	Total
Balance at January 1, 2023	$ 2,309,819	$ 8,000,000	$ 19,396,000	$ 29,705,819
Spending	(617,932)	-	(2,354,315)	(2,972,247)
Funding	50,000	1,000,000	2,000,000	3,050,000
Balance at December 31, 2023	$ 1,741,887	$ 9,000,000	$ 19,041,685	$ 29,783,572

9. IN-KIND CONTRIBUTIONS

Contributed public traded equity securities received during the year were valued based on the fair market value of the securities on the day the securities were received. Donated equipment was valued using the estimated fair market values that would be paid for similar equipment in the United States. Professional services were valued using the standard hourly rate for similar or identical services.

Contribution in-kind consisted of the following:

Public traded equity securities	$ 201,139
Equipment	61,863
Professional services	5,000
	$ 268,002

10. LEASES

The Organization leases office space and equipment for locations in California and New York under operating leases. The leases require monthly payments ranging from approximately $300 to $68,000, with escalating rent payments and expiring at various dates through 2027.

Additional information related to leases is as follows:

Operating lease cost	$	917,113
Operating cash flows from operating leases	$	968,387
Weighted average remaining lease term		3.3 years
Weighted average discount rate		1.51 %

Future minimum lease payments under non-cancelable operating leases are as follows:

Year ending December 31,		
2024	$	995,842
2025		773,966
2026		797,185
2027		541,980
		3,108,973
Less: imputed interest		(80,593)
	$	3,028,380

11. LIQUIDITY AND FUNDS AVAILABLE

As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To meet liquidity needs, the Organization has cash and cash equivalents available. Contributions and grants receivable that are considered current will be collected from donors within one year.

11. LIQUIDITY AND FUNDS AVAILABLE (continued)

The following is a quantitative disclosure which describes assets that are available within one year of December 31, 2023 to fund general expenditures and other obligations when they become due:

Financial assets	
Cash and cash equivalents	$ 18,631,403
Investments	79,723,444
Contributions and grants receivable, net	22,699,447
Accounts receivable	165,594
	121,219,888
Less amounts unavailable for general expenditures within one year, due to:	
Purpose and time restricted projects	(45,857,194)
Board designated for Reserve Fund	(9,000,000)
Board designated for Growth Fund	(1,741,887)
Board designated for CEO Fund	(19,041,685)
	(75,640,766)
	$ 45,579,122

As part of the Organization's liquidity management, it invests cash in excess of daily requirements in United States Treasury securities, money market funds, mutual funds, and exchange-traded funds. In addition, the Organization is able to utilize the Growth Fund, CEO Fund, and Reserve Fund as deemed necessary to help the Organization grow should it need available capital.

12. RETIREMENT PLAN

PolicyLink has a contributory 401(k) plan for all eligible employees. Contributions are based on 4% of each eligible participant's compensation for the plan year, regardless of whether the participant made 401(k) contributions. In addition, PolicyLink matches the eligible participant's contributions up to 2% of their compensation. Retirement plan expense for the year ended December 31, 2023 amounted to $730,952.

13. CONCENTRATIONS

The Organization receives a significant portion of its revenues from external donors. Accordingly, the Organization's financial condition is dependent to some extent on the economic state of the region and the philanthropic community in general.

Contributions and grants receivable due from two donors comprise approximately 62% of the total contributions and grants receivable as of December 31, 2023. Grants and contributions from four donors comprise approximately 57% of total grants and contributions from foundations, corporations, and individuals for the year ended December 31, 2023.

14. SUBSEQUENT EVENTS

The Organization has evaluated events and transactions subsequent to December 31, 2023 for potential recognition or disclosure in the consolidated financial statements.

The Organization did not have any subsequent events that require recognition or disclosure in the consolidated financial statements for the year ended December 31, 2023. Subsequent events have been evaluated through the date the consolidated financial statements became available to be issued, June 25, 2024.